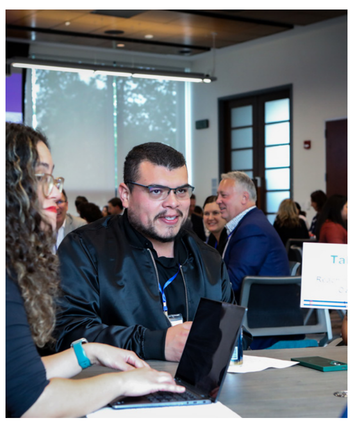
A Celebration of Colorado Employee Ownership

Convening Report







Advancing Employee Ownership in Colorado

Employee ownership offers a proven pathway for building community wealth, retaining local jobs, and strengthening Colorado's economy. Yet despite its clear benefits, employee ownership remains underutilized, with many business owners and employees unaware of its potential or uncertain about how to pursue it.

This convening report summarizes key themes and insights from world café–style discussions held during A Celebration of Colorado Employee Ownership on October 7, 2025. The event, sponsored by the Colorado Office of Economic Development and International Trade's Employee Ownership Office and hosted by The Colorado Health Foundation, brought together business owners, advocates, technical assistance providers, financial institutions, and others to share experiences and identify opportunities to strengthen the state's employee ownership ecosystem.

Through these conversations, participants surfaced both the promise and the challenges of advancing employee ownership in Colorado, particularly in rural communities and among small- to mid-sized businesses. This report highlights the primary barriers to adoption, key considerations for business owners, strategies to expand awareness and capacity, policy opportunities, and recommendations for collective action to grow employee ownership across Colorado.

A note on methodology: Each world café table included a designated note taker who captured participants' ideas and reflections in real time. Following the event, these notes were compiled and analyzed to identify recurring ideas, emerging insights, and shared priorities. The resulting themes were synthesized and are presented in this report. See the appendix for the notes in list form.

Barriers to Advancing Employee Ownership

Despite the well-documented benefits of employee ownership (EO), several interconnected barriers limit its broader adoption. Foremost is a lack of education and awareness among business owners, employees, and third-party advisors about what EO entails, the range of available structures, such as Employee Stock Ownership Plans (ESOPs), co-ops, and Employee Ownership Trusts (EOTs), and the potential advantages it offers. This information gap often fuels misconceptions and negative perceptions, with some viewing EO as a "radical" or overly complex approach to business succession. Many business owners find it daunting and difficult to navigate, a concern exacerbated by the limited availability of experienced technical assistance (TA) providers. Participants noted that handoffs between providers are often cumbersome, and that the current pool of professionals with EO-specific expertise is too small to meet growing demand.

Financial barriers further compound the challenge. The upfront costs of conversion, including legal, valuation, and professional fees, can range from $12,000 to several hundred thousand dollars. Even with existing tax credits, businesses must often pay these costs up front and then await reimbursement, creating a significant obstacle for those without sufficient working capital. Ongoing maintenance costs, particularly for ESOPs, add to the financial burden.

Cultural and mindset barriers also play a role. Some owners steeped in competitive, individualist business cultures may struggle to embrace shared ownership models, whereas those rooted in collaboration or community values tend to adapt more readily. Resistance to change—whether from employers that are hesitant to relinquish control or from employees who prefer immediate bonuses over long-term ownership benefits—can further stall progress. In addition, younger workers, particularly in rural areas, often do not see themselves as future business owners, creating a generational disconnect that complicates succession planning.

Participants also identified several policy and regulatory challenges. High compliance costs in certain industries (such as cannabis), complex state policies, and a lack of consistent data tracking of EO conversions all pose barriers. Many service providers, including lenders, attorneys, and accountants, have limited incentives to promote EO options or tax credits.

Lastly, in rural areas, limited awareness, economic uncertainty, and a lack of local news outlets make outreach and education on EO especially difficult. Even after transitions occur, rural businesses require more access to post-conversion support for financing, governance, and employee education.

What Business Owners Need to Consider EO

Education, clarity, and support for business owners is essential for owners to seriously consider EO. First, owners need a solid grasp of what EO is, the benefits it can bring to both their business and workforce, and the range of available structures, such as ESOPs, co-ops, and employee ownership trusts (EOTs). Growing interest in EO among younger workers can be leveraged as a recruitment and retention strategy.

Financial clarity is essential. Stronger incentives, such as tax benefits, credits, and funding resources, can make EO more appealing, but owners also need transparent information about setup and maintenance costs.

Financial advisors and others working to support businesses should position EO as a practical solution for business owners approaching retirement or succession planning. Emphasizing that owners can still receive fair market value for their companies through shared ownership models is key. Participants noted that EO offers tangible business advantages, including improved employee retention, reduced training costs, greater alignment of interests, and a smoother path for keeping businesses locally owned and operational.

Business owners need the process simplified and broken down into manageable steps to help demystify EO and make it a more realistic and less intimidating option. Sharing real-world examples of successful EO companies—across diverse sizes and sectors—can help business owners envision what's possible and see themselves in these models.

Finally, participants emphasized the importance of hands-on support. Businesses often need guidance in building financial literacy, planning for succession, and preparing the capital infusion associated with EO transitions.

Promising Strategies to Raise Awareness of EO

Participants identified several effective strategies for engaging business owners and expanding awareness of employee ownership. Word-of-mouth and personal connections were named as the most powerful tools, particularly when value-aligned business owners make warm introductions or share their own EO experiences directly, an approach noted as especially effective in rural communities.

Broader education and awareness campaigns are also needed to build understanding of EO, but participants emphasized the importance of keeping messages simple, relatable, and focused on tangible benefits. Recommended approaches included using interactive tools, highlighting real-world EO examples and case studies, and organizing EO roadshows in receptive communities. Engaging business owners early (ideally four to five years before they plan to sell) was seen as critical to ensuring enough time to prepare for a smooth transition.

Educating third-party advisors such as investment bankers, CPAs, and business brokers was also seen as essential, since these professionals are often the first point of contact for owners exploring succession options. Additional strategies for expanding awareness included partnering with universities and community colleges to incorporate EO into business curricula, developing certificate programs, and building a stronger pipeline of future EO champions.

Lastly, participants emphasized the importance of collaboration and technical assistance. Strengthening partnerships among local, state, and national EO organizations can help align efforts and share resources. Improving technical assistance capacity by providing dedicated supports for business owners, offering early education well before retirement, smoothing handoffs between providers, and developing "train-the-trainer" programs were seen as key to ensuring successful transitions. Participants also noted that soft skills such as communication, employee engagement, and organizational culture play a vital role in sustaining EO success over the long term.

Strategies to Build EO Capacity in Rural Areas

While most current examples of EO in Colorado are concentrated in and around the Denver metro area, participants emphasized the importance of expanding awareness and capacity in rural communities across the state. These areas face distinct challenges, such as lower visibility of EO models, limited access to technical support, and economic uncertainty, that make adoption more difficult.

Participants highlighted the need for outreach strategies that are grounded in rural realities and build on existing strengths. Leveraging local media, particularly trusted, traditional outlets like community newspapers, radio, and billboards, was seen as an effective way to share EO success stories and make the concept more relatable. Word-of-mouth engagement and direct outreach, including "knocking on doors," were also noted as especially powerful in smaller communities where personal relationships carry weight and residents often know which business owners may be nearing retirement.

Participants suggested conducting hyper-local surveys to identify businesses owned by individuals aged 55 and older, helping to better understand succession timelines and tailor outreach accordingly. Messaging that resonates with rural values, such as pride in local legacy and continuity, can also strengthen engagement. As an example, participants recommended framing EO around the sentiment: "You've built something valuable; you should pass it on to someone who loves it as much as you do—your employees." Highlighting the long-standing success of cooperative models in rural settings, such as grain elevators and grocery co-ops, can further normalize EO as part of Colorado's economic heritage.

To effectively address rural needs, outreach must also be tailored to local identity and trusted messengers. Partnering with community colleges, local banks and credit unions, business advisors, Small Business Development Centers (SBDCs), and Economic Development Agencies ensures that those most connected to rural business networks are informed and able to share accurate EO information. Finally, participants stressed the importance






of engaging young adults in conversations about business ownership through culturally relevant and accessible pathways—helping the next generation see themselves not only as employees, but as potential owners and community leaders.

Supporting Access to Capital for EO Transitions

Access to capital is a critical hurdle for advancing employee ownership in the state. For prospective employee buyers, access to financing from traditional financial institutions for EO transitions often requires employees to sign personal guarantees or use personal assets as collateral. State programs offering cash collateral exist, but participants reflected on a need for loan guarantee pools that would be recognized by financial institutions.

Owner sellers participating in the discussion were interested in the development of a list of EO-friendly banks and CDFIs, documenting capital costs and options, and creating flowcharts to illustrate best pathways to access capital based on the EO structure (e.g., self-funded, slow transition vs. long, co-op vs. ESOP). They described a need for financial institutions to become more educated on employee ownership. In cases when owner sellers were strongly committed to engaging in an EO transition, but their employees were unable to secure financing, they have financed transitions themselves. This is particularly the case for smaller businesses, given that larger traditional financial institutions may restrict EO transition lending to larger businesses and transactions.

To help increase access to capital from banks, credit unions, and CDFIs for smaller businesses and transactions, participants discussed the need to educate financial institutions, but also to identify opportunities for simplifying smaller transactions for the institutions through mechanisms such as syndication across regional banks and development of common underwriting approaches for EO lending.






Other sources of capital discussed included dedicated EO funds. There is a gap, however, in the presence of Colorado-specific EO funds, and commonly tapped national funds cannot provide sufficient capital to cover the existing demand in the state. New funds are emerging, including funds focused on buying seller notes from owner sellers. Some intermediaries supporting EO transitions have also begun exploring collaborations with family offices and private credit funds.

Policy Opportunities & Hindrances around Employee Ownership

Participants noted Colorado's positive policy environment for employee ownership, including tax credits for conversion costs (e.g., HB25-1021, eliminating state capital gains tax for ESOP sales). The EO landscape is attractive to national investment funds, and EO is recognized for community wealth building and job creation for vulnerable populations. A supportive ecosystem involving the state Office of Economic Development and International Trade (OEDIT), Rocky Mountain Employee Ownership Center (RMEOC), and the Center for Community Wealth (CCW) is also in place to provide EO business transition assistance.

However, policy hindrances include a gap between current policies and their actual awareness and uptake, leading to a small pipeline of businesses pursuing EO conversion. Upfront capital barriers, cost and complexity for service providers, high regulatory costs in sectors like cannabis, and policy complexity (e.g., Alternative Equity Structure policy) also hinder progress.

Suggested policy improvements and opportunities include pre-payment of tax credits, incentivizing service providers, waiving state fees, policy outreach and dissemination, targeted co-op incentives, improved data collection, formalized community engagement, establishing a verification federation, and leveraging local competition.

Opportunities to Advance Employee Ownership

Across all World Café table conversations, the top ten recommendations for advancing employee ownership in Colorado included:

1. **Simplify and Demystify EO:** Break down complex information into simple, digestible messages to address misconceptions and make EO less daunting for business owners and employees.

2. **Implement Education and Awareness Campaigns:** There is a need for targeted campaigns that highlight the financial incentives, succession planning benefits, and positive impact of EO on company sustainability and employee retention.

3. **Educate Third-Party Advisors:** Provide training and continuing education credits for investment bankers, CPAs, finance and legal experts, and business brokers so they can actively promote EO options to their clients.

4. **Improve Access to Capital:** Create a list of EO-friendly banks and Community Development Financial

Institutions (CDFIs), explore common underwriting approaches for regional banks, and develop flowcharts to lay out financing options. Advocate for loan guarantee pools to reduce the need for personal guarantees.

5. **Enhance Technical Assistance:** Offer dedicated resources to guide businesses through the technical aspects of EO transition, ensuring early education, seamless handoffs between providers, and comprehensive needs assessments.

6. **Leverage Word-of-Mouth and Personal Connections:** Prioritize finding value-aligned business owners who can make warm introductions and share their EO success stories. This approach is especially valued in rural communities.

7. **Pilot Roadshows and Community Engagement:** Conduct roadshows in receptive communities, partnering with local EO organizations and featuring local employee-owned businesses to showcase real-life examples.

8. **Address Rural-Specific Challenges:** Tailor outreach to community identities, connect with local community colleges for youth engagement, and utilize relationships and traditional media like local newspapers and billboards to build EO awareness.

9. **Implement Policy Improvements:** Advocate for pre-payment of tax credits to cover upfront conversion costs, incentivize service providers to promote EO, and introduce waivers for high regulatory fees in specific industries.

10. **Foster Collaboration Across Sectors:** Strengthen collaboration between local, state, and national EO organizations to share knowledge, resources, and policy goals, creating a more robust support ecosystem.

Appendix

Barriers to Advancing EO

1. **Lack of Education and Awareness:** Many business owners, and even employees, don't understand what employee ownership is, its various structures (ESOPs, co-ops, EOTs), or how it can benefit them. There are misconceptions, with some viewing co-ops negatively or seeing EO as a "radical," "hippie," "progressive," or "socialist" approach. This lack of understanding includes third-party advisors like investment bankers, CPAs, and business brokers, who often don't present EO as a viable option to their clients.

2. **Financial Barriers and Costs:**

   - **Upfront Costs:** The initial costs of converting to EO, including legal and professional fees, can be substantial (ranging from $12,000 for small organizations to several hundred thousand for large businesses). Current tax credit models often require businesses to expend this capital before receiving reimbursement, which is a significant hurdle for those without sufficient working capital.

   - **Ongoing Costs:** Maintaining EO structures, especially ESOPs, involves annual costs for reports, audits, and independent trustees, which can be considerable.

   - **Access to Capital:** Traditional banks are often reluctant to lend without personal guarantees for smaller companies, and many only consider businesses with over $20 million in revenue for ESOP transitions. The cooperative loan guarantee is also a problem for banks. There's a need for more alternative financing options and a clearer understanding of how to access them.

3. **Perceived Complexity:** The EO process is seen as complex, scary, and difficult to comply with / understand. This deters business owners and can lead to frustration, especially with multiple handoffs between TA providers.

4. **Gaps in Technical Assistance:** There is often not a warm handoff between TA providers, and many providers lack specific EO expertise. Owners struggle to navigate professional services like valuations.

5. **Cultural / Mindset Issues:** Capitalist competitive mindset makes it hard to break the mold and embrace shared ownership. Latinx cultures have an easier time understanding and embracing coops because it is not so foreign.

6. **Resistance to Change:** Employees may prefer immediate bonuses over long-term stock benefits, and it takes time for them to fully understand and see the personal benefits of EO.

7. **Disconnect between Youth and Ownership:** EO needs younger people willing to take over businesses and they don't always see themselves as business owners- especially in rural areas.

8. **Regulatory and Policy Hurdles:**

   - **High Regulatory Costs:** Businesses in highly regulated sectors (e.g. marijuana industry), face prohibitively high change-of-ownership and licensing fees that disincentivize conversion.

- **Policy Complexity:** State policies, including Alternative Equity Structure (AES) policy, are perceived as complex and difficult to comply with.

- **Data Gaps:** We are not accurately tracking rate of EO conversions and closures across different sectors and geographic areas.

- **No Service Provider Incentive:** Service providers- like lawyers, CPAs- don't have incentive to actively promote state tax credits to their clients. Current incentives are often seen as small compared to conversion costs.

9. **Rural Challenges:**

    - **Limited Awareness:** EO is a new concept in rural communities, and traditional outreach methods like mailers and ads have not been effective.

    - **Economic Uncertainty:** Business owners/employees in rural areas are hesitant due to economic concern and worry about being able to invest.

    - **"News Deserts":** Difficult to disseminate information through traditional media in small communities.

10. **Lack of Post-Transition Support:** Businesses face challenges after transitioning, including securing lines of credit, ensuring proper employee education about the new structure, and setting long-term governance as employees retire.

What Business Owners Need to Seriously Consider EO

1. **Education and Awareness:** what EO is, its benefits for them and their workforce, and the various structures.

2. **Financial Incentives:** While some are values-aligned, a stronger financial incentive would significantly encourage EO. Must understand tax benefits (e.g. not paying CO capital gains for ESOPs), credits, resources, and funding options. Need clarity on the costs associated with setting up and maintaining EO structures.

3. **Succession Planning/Retirement:** EO is a viable option for owners considering retirement or succession planning, especially if they don't have family to pass the business on to. They need to understand that they can still get market rate for their company.

4. **Impact on Company and Employees:** Owners need to see the potential for keeping their company open, especially in rural areas where economic opportunity is crucial. EO can align the interests of owners and employees, mitigate conflict, improve retention, and reduce investment in repeated training.

5. **Demystification of Complexity:** Simplifying the message and breaking down the process into understandable steps.

6. **Worker Demand:** A younger workforce is increasingly asking about EO when joining companies, making it a recruitment and retention tool.

7. **Industry-Specific Examples:** Owners need to see featured case studies of different types of EO in various sectors to understand what it could look like for their specific business.

8. **Readiness for Capital:** Businesses need to be ready to receive capital, which might involve building basic financial savvy, succession planning, and addressing leakage of costs.

Raising General Awareness of EO and Strategies to Engage Business Owners

1. **Word-of-Mouth and Personal Connections:** Consistently named as the most effective strategy. Finding business owners connected to the community who are value-aligned and looking to retire, then making warm introductions, has proven more successful than general outreach. Walking into small businesses in rural areas is also effective.

2. **Education and Awareness Campaigns:**

    - **Simplify the Message:** simple, digestible messages tailored to different groups (e.g., wealth advisors, business owners, employees).

    - **Highlight Benefits:** Focus on "what's in it for me?" for business owners, emphasizing financial incentives, succession planning, and positive impact on sustainability and employee retention.

    - **Address Misconceptions:** Reframe co-ops to overcome negative associations. ESOPs are an accessible entry point.

    - **Interactive Tools:** to help owners determine the best EO fit for their business.

    - **Case Studies and Storytelling:** Showcase successful EO companies in different sectors and use compelling stories to illustrate benefits and real-life examples (e.g., New Belgium Brewing).

    - **Targeted Outreach:** to chambers of commerce, industry-specific organizations (e.g., B corps), and economic development agencies.

    - **Roadshows:** Pilot roadshows in receptive communities, partnering with local EO organizations and offering incentives like evening meals and childcare.

    - **Earlier Engagement:** Need to reach business owners 4-5 years before they plan to sell to allow for preparation and a wider range of options, including staged conversions (e.g. starting with 20% ESOP).

3. **Educate Third-Party Advisors:** Investment bankers, CPAs, and business brokers are often the first point of contact for business owners considering transitions. They need to be educated about EO options, benefits, and how to navigate the process, potentially through continuing education credits.

4. **Leveraging Local Media:** Media stories, especially in local newspapers (which are still predominant in rural areas), can be an effective way to spread the word about EO success stories.

5. **University and Community College Programs:** Establish programs at universities and community colleges in rural areas to provide baseline awareness and certificates in EO models.

6. **Addressing Rural Specifics:**

   - Understand community identity and tailor outreach.
   - Connect with local community colleges with business courses/degrees.
   - Engage young adults to encourage them to become owners.
   - Utilize traditional media like newspapers and billboards.
   - Conduct hyper-local surveys to understand businesses owned by those 55 and older and their succession plans.

7. **Collaborating Across Sectors:** Foster strong collaboration between local, state, and national EO organizations to share knowledge, resources, and policy goals.

8. **Simplifying Access to Capital:**

   - Create a list of banks and CDFIs that are knowledgeable/ supportive of EO.
   - Explore common underwriting approaches for regional banks to pool and spread risk for smaller transactions.
   - Develop flowcharts to document how business owners decide to transition (which then determines structure and access to capital.)
   - Look into funds that can buy seller notes to provide owners with more upfront capital.
   - Advocate for loan guarantee pools to offset the need for personal guarantees, which can be a significant barrier for employees.

9. **Technical Assistance (TA) Improvements:**

   - Provide "hand-holders" or dedicated resources to guide businesses through the technical aspects of transition.
   - Offer early education to owners and employees before the stress of transition.
   - Make smoother handoffs between TA providers.
   - Conduct needs assessments to tailor approaches to what employees truly want (e.g., immediate bonuses vs. long-term stock benefits).
   - "Train the trainer" so TA providers have a consistent understanding of EO.
   - Focus on soft skills like communication, employee connection, and culture.

How to support access to capital for EO transitions

1. **Utilize Financial Institutions:**

    - **Community Development Financial Institutions (CDFIs):** CDFIs can bring together various streams of debt and capital structures to support deals at different stages. While they may not have extensive EO knowledge, they are willing to be involved.

    - **Regional Banks:** Most commercial loans come from regional banks. Build relationships and educate these banks on EO, explore common underwriting approaches for regional banks to pool and spread risk, especially for smaller transactions.

    - **SBA Support:** The Small Business Administration (SBA) currently doesn't provide much support for EO, particularly for co-ops, but there's a need for them to become more helpful.

    - **Loan Guarantee Pool:** A significant need exists for a loan guarantee pool to offset the requirement for personal guarantees, which is a major barrier for employees.

2. **Leverage Funds:**

    - **Dedicated EO Funds:** Organizations like Seed Commons and Shared Capital (Minneapolis) are working to create or provide access to funds specifically for EO transitions, but funds are not always available to businesses.

    - **Seller Notes:** Many owners take out seller notes that are paid back over time. Funds are emerging (e.g., Liquidus) that are interested in buying these seller notes, potentially after several years post-transaction.

3. **Self-Funding for Small Businesses:** Owners can finance the transition themselves, with employees paying back monthly. This often involves getting a business valuation and selling slightly lower but can help avoid a lot of legal fees.

4. **Other Sources of Capital:**

    - **Family Offices:** interested in taking a second position in the capital stack.

    - **Private Credit Funds:** potential source of capital.

5. **Improve Pathways and Documentation:**

    - **Clear Documentation:** It would be helpful to document the different costs of capital and options available for business owners wanting to transition.

    - **Flowchart of Options:** Create a flowchart that illustrates how business owners decide to transition, which then determines the structure and access to capital (e.g., self-funded, slow transition vs. long, co-op vs. ESOP).

6. **Address Business Owner Barriers and Opportunities:**

   - **Reduce Costs:** Legal and professional fees for transitions can be substantial. Self-funding can help avoid some of these costs.

   - **Marijuana Industry:** For this industry, the ESOP model and its tax benefits are attractive, but the issue lies in their bankability and high state-run cash collateral programs not being accessible. Incentives like fee waivers or tax credits to offset high licensing fees could attract this industry.

7. **Address Buyer Barriers and Opportunities:**

   - **Cooperative Financing:** For co-ops, the challenge is that there isn't one employee who can provide a guarantee or collateral.

   - **Capital Absorption Capacity:** Smaller businesses need to build basic financial savvy, succession planning, and address leakage of costs to be ready to receive capital.

   - **Backend Office Support:** Providing backend office support can help smaller businesses become more sustainable and financially sound.

8. **Address Ecosystem Issues:**

   - **Educate Service Providers:** Many service providers connected to transactions do not understand or are not educated on EO. Training consultants, bankers, and service providers is crucial.

   - **SBDC Offices:** These offices and their work through OEDIT have been helpful in spreading the word.

9. **State Programs:**

   - **Cash Collateral Programs:** While state cash collateral programs exist, banks often don't feel there's enough of a backstop and still look for personal guarantees.

   - **Loan Guarantee Pool:** to offset the need for personal guarantees.

10. **Simplifying Smaller Transactions:**

    - **Syndication for Regional Banks:** Explore if regional banks can come together (co-op financing of co-ops) to pool and spread risk, especially for smaller transactions.

    - **Common Underwriting Approach:** Developing a common underwriting approach that entities can use would significantly reduce legal costs and friction points in small transactions.

Strategies to build capacity for employee ownership in rural areas

1. **Individualized and In-Person Outreach:**

- **Knocking on Doors:** Directly engaging with people in-person to explain the benefits of employee ownership (EO) is highly effective.
- **Understanding Community Identity:** Recognize that rural areas often have strong community identities. Tailor outreach to these specific identities rather than focusing solely on industry alignment.
- **Word-of-Mouth:** This remains the most effective strategy. Connect with local business owners who are already value-aligned and can make warm introductions to others considering retirement or succession.

2. **Leveraging Local Resources and Trusted Advisors:**

- **Local Businesses:** Lean on existing employee-owned businesses in the region to share their success stories and act as examples.
- **Banks and Financial Institutions:** Educate local banks, like the one in Lamar mentioned, to become key players in promoting EO in their regions.
- **Economic Development Agencies:** Ensure these agencies are knowledgeable about EO and can effectively communicate its benefits as part of their statewide plans.
- **CPAs and Lawyers:** Contact main business advisors in communities, such as CPAs and lawyers, to inform them about state resources and encourage them to advise businesses on EO. These trusted professionals are crucial for rural owners who are often cautious about discussing selling their businesses.
- **SBDC Offices:** Leverage the work of Small Business Development Center (SBDC) offices, especially those working through OEDIT, to get the word out.

3. **Targeted Education and Awareness Programs:**

- **Roadshows:** Pilot EO roadshows in receptive communities, partnering with local organizations or chambers of commerce. These events could include an evening meal and childcare, and feature local employee-owned businesses to showcase the pros and cons.
- **Hyper-Local Surveys:** Conduct surveys to identify businesses owned by individuals 55 and older and understand their succession plans, which can inform targeted outreach.
- **Connecting with Community Colleges:** Partner with local community colleges that offer business-related components to introduce EO concepts to young people.
- **Youth Engagement:** Address the disconnect between youth and seeing themselves as business owners by offering business concept information and resources to young people and connecting them with opportunities to continue local businesses. The idea of lowering the age for starting a business to 16 could also be explored.
- **Curriculum Development:** Consider integrating EO curriculum into civics classes to highlight its societal connections.

- **Balanced Education:** Educate both employers and employees on the benefits of EO to avoid dramatic and negative outcomes when ownership changes. Emphasize "options" rather than telling people what to do.

4. **Strategic Communication and Storytelling:**

   - **Local Media:** Utilize print media, which is still predominant in rural communities, to share employee ownership success stories in local newspapers.
   - **Entrepreneur-to-Entrepreneur Network:** Facilitate peer-to-peer networks where entrepreneurs can share their experiences, including what they would have done differently and building blocks for success.
   - **Positive Messaging:** Craft a winning message that resonates with business owners, such as "If you've built something valuable, you'll want to pass it on to someone who loves it as much as you do – your employees." Avoid messaging that demonizes business owners.
   - **Showcasing History:** Highlight the history of co-ops in rural areas (e.g., grain elevators, grocery stores) to demonstrate their long-standing presence and success.

5. **Policy and Funding Considerations:**

   - **Reciprocity and Stipends:** Consider offering stipends to employee-owned business owners who share their stories to acknowledge their time and further community engagement.
   - **Addressing Urban/Rural Divide:** Acknowledge and address the misconceptions and stress that can exist between urban and rural areas regarding EO.
   - **Government Trust:** Leverage the trust placed in government branches like OEDIT, which is a primary source of referrals for EO.

Policies that Support Employee Ownership

1. **Positive Policy Momentum:** Colorado has a positive policy environment, with several good policies already in place, such as tax credits for conversion costs.
2. **Financial Incentives:** Current policy incentives, like tax credits for conversion costs (e.g., HB25-1021 in Colorado, which eliminates state capital gains tax for ESOP sales), are valuable tools.
3. **National Investment Appeal:** The EO landscape in Colorado is attractive to national investment funds specializing in employee ownership, which could be leveraged for further growth.
4. **Community Wealth Building:** EO is recognized as a powerful model for community wealth creation and preservation.
5. **Supportive Ecosystem:** There is an acknowledged support ecosystem involving state and national entities

like OEDIT, RMEOC, and NCEO.

6. **Job Creation for Vulnerable Populations:** International models, such as Italy's "social co-ops" that receive tax exemptions for employing marginalized groups, offer a compelling case for how EO can serve a broader public good through targeted job creation.

Policies that Hinder Employee Ownership

1. **Awareness and Pipeline Gap:** A significant gap exists between current policies and their actual awareness and uptake, which leads to a small pipeline of businesses pursuing EO conversion.

2. **Upfront Capital Barriers:** The existing tax credit model requires businesses to spend capital on conversion costs before receiving reimbursement, posing a financial barrier for businesses lacking working capital. Funding is also challenging due to TABOR constraints.

3. **Cost and Complexity for Service Providers:** Lack of clear incentive for service providers (e.g., lawyers and CPAs) to promote the state's tax credits to their clients, as the current tax credit (Establish and Expand) is seen as a small incentive compared to the costs of these services.

4. **High Regulatory Costs:** Businesses in highly regulated sectors, like marijuana, face prohibitively high change-of-ownership and licensing fees (upwards of $6,000-$10,000 per license) that disincentivize conversion.

5. **Policy Complexity:** State policy, including the design of Alternative Equity Structure (AES) policy, is seen as complex and difficult to comply with and understand.

Suggested Policy Improvements / Opportunities

1. **Pre-Payment of Tax Credits:** Implement an advance-payment mechanism to provide working capital and eliminate the need for businesses to cover the high upfront costs of conversion before receiving tax credits.

2. **Incentivize Service Providers:** Directly tie the costs of service providers to policy incentives, making it attractive for them to actively inform clients about EO conversions. Especially useful for attorneys who could then promote conversions to EO to more clients as their fees would be offset by incentives.

3. **Waive for State Fees:** waivers for high-cost regulatory fees at Department of Revenue (DOR) and State of Colorado (SOS) for renewal and change-of-ownership for businesses converting to employee ownership. Fees from DOR were described as some of the costliest.

4. **Policy Outreach and Dissemination:** for existing policies. An increase in grant marketing budgets for outreach entities could improve tax credit uptake.

5. **Targeted Co-op Incentives:** subsidized health insurance benefits; establish tax credits for worker co-ops that create indivisible reserves, similar to models used in Italy, to enhance employee benefits and internal development funds.

6. **Improve Data Collection:** annual or quarterly tracking of conversions and closures for all EO models, including co-ops, across different sectors.

7. **Formalize Community Engagement:** Increase and formalize involvement of worker-owned companies and local TA providers in the policy-writing process to ensure policies are practical, accessible and effective.

8. **Establish a Verification Federation:** to provide third-party verification and certification for employee-owned businesses, which could help streamline and legitimize the process without fear of system abuse. Example: US Federation of Worker Cooperatives (USFWC)

9. **Leverage Local Competition:** Encourage local legislation and friendly competition, similar to models in other cities, to create a strong local culture that promotes and celebrates EO uptake.

Opportunities to Advance Employee Ownership

1. **Simplify and Demystify EO:** Break down complex information into simple, digestible messages to address misconceptions and make EO less daunting for business owners and employees.

2. **Enhance Education and Awareness Campaigns:** Implement targeted campaigns that highlight the financial incentives, succession planning benefits, and positive impact of EO on company sustainability and employee retention.

3. **Educate Third-Party Advisors:** Provide training and continuing education credits for investment bankers, CPAs, finance and legal experts,and business brokers so they can actively promote EO options to their clients.

4. **Improve Access to Capital:** Create a list of EO-friendly banks and Community Development Financial Institutions (CDFIs), explore common underwriting approaches for regional banks, and develop flowcharts to clarify financing options. Advocate for loan guarantee pools to reduce the need for personal guarantees.

5. **Provide Dedicated Technical Assistance:** Offer dedicated resources to guide businesses through the technical aspects of EO transition, ensuring early education, seamless handoffs between providers, and comprehensive needs assessments.

6. **Leverage Word-of-Mouth and Personal Connections:** Prioritize finding value-aligned business owners who can make warm introductions and share their EO success stories, especially in rural communities.

7. **Pilot Roadshows and Community Engagement:** Conduct roadshows in receptive communities, partnering with local EO organizations and featuring local employee-owned businesses to showcase real-life examples.

8. **Address Rural-Specific Challenges:** Tailor outreach to community identities, connect with local communi-

ty colleges for youth engagement, and utilize traditional media like local newspapers and billboards.

9. **Implement Policy Improvements:** Advocate for pre-payment of tax credits to cover upfront conversion costs, incentivize service providers to promote EO, and introduce waivers for high regulatory fees in specific industries.

10. **Foster Collaboration Across Sectors:** Strengthen collaboration between local, state, and national EO organizations to share knowledge, resources, and policy goals, creating a more robust support ecosystem.

This report was prepared by The Colorado Health Foundation and the Colorado Office of Economic Development and International Trade's Employee Ownership Office